UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

Columbia Gas Transmission Corporation Docket Nos. RP03-281-004

ORDER ON REHEARING

(Issued December 22, 2004)

1. On April 21, 2003, Columbia Gas Transmission Corporation (Columbia) filed supplemental information to support its annual Electric Power Cost Adjustment (EPCA) filing (April 21, 2003 Compliance Filing) in compliance with the Commission's letter order issued March 31, 2003 (March 31, 2003 Order) in this proceeding.[1] In its February 12, 2004 order, the Commission found that Columbia's filing did not support charging its existing shippers the proposed EPCA surcharges (February 12, 2004 Order).[2] Columbia was directed to remove all of the proposed electric power costs attributable to the Downingtown Compressor Station and discount adjustments from the proposed EPCA rates and was directed to establish a separate, incremental EPCA surcharge for the recovery of the Downingtown Compressor Station costs in the next annual EPCA surcharge filing and to revise its tariff regarding discounting of EPCA surcharges. Columbia filed a request for rehearing or clarification of the February 12, 2004 Order, and the Cities of Charlottesville and Richmond, Virginia (the Cities) filed an answer to the requests for clarification. Rock Springs Generation, LLC (Rock Springs Generation) also filed a request for rehearing of that order.[3] For the reasons discussed below, the Commission will grant in part and deny in part the requests for rehearing. This order benefits customers by ensuring against the improper subsidization of electric power costs.

[1] *Columbia Gas Transmission Corp.*, 102 FERC ¶ 61,348 (2003).

[2] *Columbia Gas Transmission Corp.*, 106 FERC ¶ 61,128 (2004).

[3] Rock Springs Generation also filed a motion to intervene out-of-time, which is granted for good cause shown.

I. Background

2. In an order issued December 20, 2002, in Docket No. CP02-142-000 *et al.* (Certificate Order),[4] the Commission, *inter alia*, authorized Columbia to abandon two 1250 hp gas compressors at the Downingtown Compressor station and replace those compressors with two 6000 hp electric-powered compressors in order to provide new transportation service for two shippers to the new Rock Springs electric generation facility via a new tap on Columbia's system at the Rock Springs point. The precedent agreements with the two shippers (Rock Springs shippers)[5] were for service under Columbia's Rate Schedule FTS for a total of 270,000 Dth/d from receipt points in Pennsylvania, to the Rock Springs delivery point at a discounted base rate plus applicable surcharges. In the Certificate Order, the Commission, *inter alia*,: (1) found that Columbia could roll in the facility costs for the new compression its next general section 4 rate case, absent any material change in circumstances; (2) rejected a proposal by the Cities for incremental electric power rates; and (3) allowed Columbia's customers to examine the cost impact of the project's usage of electric power in the next EPCA filing.

3. On February 28, 2003, Columbia filed tariff sheets in the instant Docket No. RP03-281-000 to revise its EPCA surcharges pursuant to section 45 of the General Terms and Conditions (GT&C) of its tariff. Columbia sought, *inter alia*, to recover $6,596,051 in annual electric costs, including $1,035,600 of new projected electric costs associated with the Downingtown Compressor Station. The projected electric costs of $1,035,600 related to the five-month period November 1, 2003, through March 31, 2004. The Cities protested the filing, and Virginia Power Energy Marketing, Inc. (VPEM) filed comments. On March 21, 2003 Columbia filed an answer to the protest.

4. In its March 31, 2003 Order in this proceeding, the Commission found that Columbia had not sufficiently supported the inclusion of the new projected electric power costs of the Downingtown Compressor Station in its proposed system-wide EPCA rates. That order accepted and suspended the tariff sheets in Columbia's EPCA filing to be effective April 1, 2003, subject to refund and conditions. The Commission directed Columbia to file additional information to support its EPCA filing reflecting: (1) the derivation of and support for the additional projected electric power costs of $1,035,600 (including PECO Energy charges and level of usage); (2) support for Columbia's claim that 40 percent of the $1,035,600 cost is attributable to system usage and 60 percent to the Rock Springs project; (3) an explanation and support of the claimed $906,108 benefit

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[4] *Columbia Gas Transmission Corp.*, 101 FERC ¶ 61,337 (2002).

[5] Rock Springs Generation and CED Rock Springs, Inc., owners respectively of four and two of the six Rock Springs power plant gas turbines.

to system customers with regard to the Retainage Adjustment Mechanism (RAM) tracker filing; and (4) support for the claimed reduction in gas fuel charges due to the removal of the old gas compressors.

5. On April 21, 2003, Columbia filed information to comply with the directives of the March 31, 2003 Order. The Cities and VPEM filed protests to Columbia's April 21, 2003 Compliance Filing. Columbia filed an Answer to VPEM's protest. In addition, on December 23, 2003, in Docket No. RP03-281-002, Columbia submitted a filing in response to a December 18, 2003 Letter Order directing Columbia to file additional information. The information in that filing contained data detailing the impact on rates of the additional estimated electric costs and discount adjustments made to the billing determinants for the Rock Springs transportation contracts and other transportation contracts. On January 5, 2004, Columbia supplemented the information filed on December 23, 2003.

The February 12, 2004 Order

Downingtown Compressor Station EPCA Rates

6. Columbia's February 28, 2003 EPCA filing projected the Downingtown Compressor Station to be in service on November 1, 2003. By letter dated December 11, 2003, Columbia requested that the Commission grant a 120-day extension of time to complete the fine tuning and resolve technical problems at the compressor station identified during the testing and commissioning process. In the February 12, 2004 Order, the Commission directed Columbia to eliminate the electric power costs for the Downingtown Compressor Station from the proposed EPCA rates since these facilities had not been placed in service. Accordingly, Columbia was required to file revised tariff sheets with revised EPCA rates effective April 1, 2003, that reflect the removal of the electric costs attributable to the Downingtown Compressor Station and make refunds of the overcharges.

7. The Commission also required that Columbia establish an incremental EPCA surcharge for the recovery of electric costs attributable to the Downingtown Compressor Station, and allowed Columbia to carry over and recover electric costs attributable to the Downingtown Compressor Station in incremental EPCA rates in its next annual EPCA tracker filing once the facilities have been placed in service.[6] The protestors argued that,

[6] Section 45.2 of Columbia's tariff states that: "Annually, or at such other times as Transporter in its reasonable discretion determines necessary, Transporter may adjust any of the EPCA Rates to take into account both prospective changes in Electric Power Costs and unrecovered Electric Power Costs from the preceding period as described at Section 45.4 below."

by including the projected electric power costs attributable to the Downingtown Compressor Station as part of Columbia's proposed EPCA surcharge, the existing shippers are subsidizing the shippers using the Rock Springs delivery point. Columbia, while acknowledging that the EPCA surcharges would increase, claimed that existing shippers would receive savings and that all customers benefit from the increased compression.

8. Applying the Certificate Policy Statement,[7] the Commission evaluated the issue of whether the electric power costs should be rolled in or incrementally-priced based on the impact on Columbia's existing shippers' rates. The order noted that, in certificating the Downingtown Compressor Station, the Commission's December 20, 2002 Certificate Order had stated that:

> The new electric compressors will serve both existing and new customers by providing the compression and pressures needed to transport gas through the mainline system. The new compressors will provide additional capacity for all shippers. It is reasonable for Columbia to recover a portion of project electric power costs from existing customers because they will benefit from the new mainline compression. There is no demonstration in the record that electric power costs will increase rates. Columbia's customers may examine the cost impact of the project's usage of electric power when Columbia files its next electric power adjustment.[8]

9. In the February 12, 2004 Order, the Commission found that, based on Columbia's own five-month cost and volume estimates, the system-wide rate increase resulting from the inclusion of the new electric power costs attributable to the Rock Springs Project would exceed the benefit of the only reasonably quantifiable cost savings of reduced gas fuel rates provided by this project to existing shippers. The Commission further found that by including the projected electric power costs for the Downingtown Compressor Station along with the billing determinants for the Rock Springs project, existing customers would be paying increased electric EPCA rates above what they would be expected to pay in the absence of the new electric-powered compressors, but will not be receiving any increased service. The Commission concluded that to recover the Downingtown Compressor Station electric power costs when such facilities go into service, Columbia must file, in its next annual EPCA tracker filing, to implement an

[7] Certification of New Interstate Natural Gas Pipeline Facilities, 88 FERC ¶ 61,227 (1999), order on reh'g, 90 FERC ¶ 61,128 (2000) (Certificate Policy Statement).

[8] December 20, 2002 Certificate Order at P 26.

incremental EPCA surcharge to be charged shippers using the Rock Springs delivery point to be effective April 1, 2004, the same effective date as the next annual system-wide EPCA charge in its next annual EPCA tracker filing.

Discount Adjustments

10. With respect to discounting, the Commission noted, *inter alia*, that section 154.109(c) of the Commission's regulations requires that the General Terms and Conditions (GT&C) of the pipeline's tariff must contain a statement of the order in which the company discounts its rates and charges, and the statement must be consistent with Commission policy. The Commission found that section 20.2 of Columbia's GT&C violated section 154.109(c), since it did not include Columbia's EPCA in the statement of the order in which it discounts its rates and charges. Columbia proposed to bring its GT&C into compliance with section 154.109(c) by including the EPCA in a pro rata attribution of the discount with the base tariff rate and operational Transportation Cost Recovery Adjustment Mechanism (TCRA) rates. However, VPEM objected that this would permit Columbia to make discount adjustments in tracker filings as a means to recover a part of its discounted Rock Spring shippers' base rate and reallocate costs to services outside the scope of a general rate proceeding. Columbia maintained that the projected discounts associated with Rock Springs shippers that are included in the April 21, 2003 Compliance Filing are consistent with the policy set forth in *Natural Gas Pipeline Company of America* (*Natural*)[9] for the attribution of discounts.

11. The Commission found that Columbia must file a revised section 20.2 to the GT&C of its tariff to reflect the attribution of discounts to the EPCA. However, Columbia's proposal to attribute discounts to the EPCA on a pro rata basis with the base tariff rate and the operational TCRA was found to be contrary to the Commission's discount policy of generally requiring that discounts be attributed last to surcharges which the pipeline recovers through a periodic true-up mechanism that permits the pipeline to seek recovery of 100 percent of the costs in question. In *Natural*, the Commission directed that surcharges that recover 100 percent of Order No. 636 transition costs should be treated as the last items of the overall reservation charge that are discounted. Under that method, the pipeline must discount all the way through its base rates before discounting transition costs. The Commission noted that, in *Natural*, it had generally stated that it has become clear that discount adjustments are highly complex and, thus, ill-suited to periodic tracking filings.[10] The Commission further noted that it had also stated that the policy in *Natural* is designed, in part, to minimize discount adjustments in periodic filings and that this will allow discount-related issues to be addressed primarily in the rate case.

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[9] 69 FERC ¶ 61,029 at 61,117 (1994).

[10] 69 FERC ¶ 61,029 at 61,117.

12. The Commission found that Columbia's proposal to revise the discount provisions in section 20.2 of the GT&C to include the EPCA in a pro rata attribution of the discount with the base rate, did not adhere to the principles of the discount policy in *Natural*. The Commission noted that the electric costs at issue here, like the Order No. 636 transition costs at issue in *Natural*, are recovered through periodic tracker filings, which permit the pipeline to seek recovery of 100 percent of the costs in question. The Commission further noted that, while deferring the determination of the level of discount adjustments to a general rate proceeding by attributing discounts to the base rate before surcharges like the EPCA may cause a greater adjustment to the rate design volumes for the base rate, this approach minimizes the need for review of discount adjustments in annual tracker filings.

13. The Commission recognized that, in *Natural*, the pipeline and its shippers were permitted to agree as to where to place surcharges other than Order No. 636 transition cost surcharges in the order of discounting. However, that agreement must be reflected in the tariff's attribution provision as established in individual pipeline proceedings, not simply in an individual contract.[11] The Commission further noted that, the tariff in this case was silent regarding the EPCA and Columbia's tariff proposal regarding the attribution of discounts to the EPCA was opposed. The Commission found that, in these circumstances, the rationale set forth in *Natural* requires that Columbia's tariff be revised to reflect that the EPCA is placed after Columbia's base tariff rates in the order in which Columbia discounts its rates and charges. Therefore, Columbia's proposed tariff revision was rejected and the Commission directed Columbia, pursuant to NGA section 5, to file to revise section 20.2 of the GT&C of its tariff to place the EPCA after the base tariff rate in its order of discounting.

Compliance with the February 12, 2004 Order

14. On February 27, 2004, Columbia filed revised tariff sheets removing the Downingtown compressor costs from the EPCA rates and revising section 20.2 of the GT&C to comply with the February 12, 2004 Order. The revisions were accepted in a March 31, 2004 Delegated Order.

15. On March 24, 2004, a Delegated Order in Docket No. RP04-195-000 accepted Columbia's annual revision of its EPCA rates. The Commission noted Columbia had stated the Downingtown Compressor Station was not currently in service and it would file separately to establish a recovery mechanism for the related electric costs after the

[11] 69 FERC ¶ 61,029 at 61,117, n. 23.

facilities are officially commissioned. In a letter filed on April 14, 2004, Columbia advised the Commission that the newly constructed facilities at the Downingtown Compressor Station were placed into service on April 9, 2004.

Late Intervention

16. On March 15, 2004, Rock Springs Generation filed an untimely intervention. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2004)), the Commission finds that granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. Therefore, Rock Springs Generation's untimely request for intervention is granted.

II. Discussion

The Incremental EPCA surcharge

17. Columbia and Rock Springs Generation generally argue on rehearing that the Commission should allow Columbia to recover its electric power costs related to the Downingtown Compressor Station on a rolled-in, system-wide basis and it was error to require Columbia to file a new incremental EPCA surcharge to recover these costs. In the alternative, if rehearing is denied, Columbia requests clarification of certain of its requirements.

18. The requests for rehearing of the February 12, 2004 order on this issue will be granted in part, as discussed below. In that order, the Commission required Columbia to file to implement an incremental EPCA surcharge after the Downingtown Compressor Station facilities are placed into service in its next annual EPCA tracker filing to be effective April 1, 2004. Columbia's next annual EPCA filing was made on March 1, 2004, in Docket No. RP04-195-000. Columbia's unprotested March 1, 2004 EPCA filing was accepted effective April 1, 2004, by the March 24, 2004 Delegated Order. In that filing Columbia did not include an incremental EPCA to recover electric power costs attributable to the Downingtown Compressor Station, stating that at that time it was not possible to predict that the testing and commissioning process would be complete by April 1, 2004. Columbia further stated that it would file separately in a periodic filing to establish a recovery mechanism for the Downingtown Compressor Station costs after the facilities are officially commissioned, consistent with the February 12, 2004 Order. Columbia stated that, in that filing, it will detail the mechanics of its proposed incremental EPCA surcharge, include deferred and projected Downingtown Compressor Station electric costs, and develop an appropriate mechanism for determining cost responsibility for those costs among its shippers. As discussed above, on April 14, 2004, Columbia advised the Commission that the newly constructed facilities at Downingtown Compressor Station were placed in service on April 9, 2004.

19. Because Columbia has removed the projected Downingtown Compressor Station EPCA costs from its rates in the instant docket, and no one has sought rehearing of that direction, the issues raised regarding the recovery of such costs in the instant proceeding have become moot. Nor is there any purpose served by requiring Columbia to file incremental EPCA rates in the subsequent Docket No. RP04-195-000 proceeding given the fact that Columbia did not include any Downingtown Compressor Station electric power costs in its EPCA rates in that filing due to the pendency of its Downingtown construction project. Thus, no purpose would be served by addressing the merits of the rehearing requests here regarding the direction to file an incremental EPCA rate as those issues can be addressed with respect to the filing Columbia has stated it will make. Although we grant rehearing in part and remove the requirement to file an incremental rate in its next EPCA filing, any such filing should include information and rate calculations for both rolled-in and incremental rates to aid the Commission and the parties in the evaluation of such filing. Therefore, for the foregoing reasons, the Commission will grant rehearing of the February 12, 2004 Order in part to eliminate the requirement that Columbia file an incremental EPCA surcharge in its next EPCA annual filing in order to recover the Downingtown Compressor Station costs. The Commission will examine the incremental EPCA surcharge related issues raised in the requests for rehearing in reviewing Columbia's subsequent EPCA filing that proposes to recover Downingtown Compressor Station electric power costs.

Discounting

20. Columbia asserts that the Commission improperly found that Columbia's proposed pro rata attribution of discounts to the EPCA is contrary to the *Natural* decision. Columbia contends that *Natural* does not require that Columbia's tariff be revised to reflect that the EPCA is placed after the base tariff rates in the order in which Columbia discounts its rates and charges. Columbia argues that while *Natural* requires a particular attribution for stranded cost surcharges, it does not require the same attribution for other surcharges, citing the treatment of Account No. 858 costs in *Algonquin Gas Transmission Co*., 69 FERC ¶ 61,105 at 61,415 (1994)(*Algonquin*). Columbia further argues that the Commission allowed the operational TCRA rate to be discounted together with the base rates, before discounts are attributed to the stranded TCRA charges as in accordance with *Natural*, citing *Columbia Gas Transmission Corp.*, 70 FERC ¶ 61,364 at 62,065 (1995) (*Columbia*).

21. Columbia argues that the Commission improperly found that Columbia's proposed pro-rata attribution of discounts to the EPCA is contrary to *Natural*. Columbia contends that the *Natural* order does not require the tariff change mandated by the February 12, 2004 Order and requires a particular discounting attribution only for stranded cost surcharges. Columbia further contends that *Natural* does not require the same attribution with respect to other surcharges, citing for example *Algonquin* which stated, in part, "the

Account No. 858 costs at issue here are not Order No. 636 transition costs. . . . Accordingly, the policy announced in *Natural* does not apply to the Account No. 858 costs at issue here."[12]

22. Columbia asserts that, in approving Columbia's section 20 discount attribution provisions in 1995, the Commission distinguished between Columbia's stranded cost surcharges and other surcharges, and specifically allowed Columbia's operational TCRA rate to be discounted together with Columbia's base rates, before discounts are attributed to Columbia's stranded TCRA, as in accordance with the *Natural* policy, citing *Columbia*. Columbia further asserts that the Commission directed Columbia to separate its TCRA rates into two separate surcharges, a stranded surcharge and operational surcharge, and found Columbia's compliance with that directive necessary in order to be consistent with *Natural*. Columbia contends that the discount attribution sequence that is found in Columbia's currently effective section 20 stems directly from the discount sequence required by the Commission at that time, under which Columbia was made to apportion discounts in the following order: (a) the GRI Surcharge; (2) the Base Tariff rate, current operational TCRA rate, and the current TCRA operational surcharge component on a pro rata basis; and (3) the current stranded TCRA rate, and the current stranded TCRA surcharge on a pro rata basis.

23. Finally, Columbia asserts that the Commission has failed to render and adequately support the requisite dual findings under section 5: (a) a finding that Columbia's existing section 20 is unjust and unreasonable, and (b) a finding that the result it seeks to impose is just and reasonable.

24. The Commission will deny rehearing on this issue. As the Commission found in the February 12, 2004 order, Columbia's existing section 20 is unjust and unreasonable for the simple reason that it fails to contain any provision specifying any rule as to when discounts will be attributed to the EPCA. Section 154.109(c) of the Commission's regulations requires that the General Terms and Conditions of a pipeline's tariff include a statement "specifying the order in which each rate component will be discounted." Existing section 20 of Columbia's GT&C specifies the order in which all of Columbia's rate components will be discounted, except for the EPCA. The failure to address the where the EPCA falls in Columbia's order of discounting violates section 154.109(c), and for that reason this aspect of existing section 20 is unjust and unreasonable.

25. Columbia has proposed to cure this problem by modifying section 20 to provide that the EPCA will be discounted on a pro rata basis along with Columbia's base rates and the TCRA. The Commission finds that Columbia has failed to show that this

[12] 69 FERC ¶ 61,105 at 61,415.

proposal is just and reasonable, and instead the Commission reaffirms its holding that Columbia must revise section 20 to reflect the attribution of discounts to the EPCA after the attribution to the base tariff rate.

26. Under the Commission's general policy concerning discounting, a pipeline may in a general section 4 rate case adjust the volumes to be used in designing its proposed new rates so that, if it continues to give discounts at the same level it has in the past, its new rates will give it an opportunity to recover its full cost of service. However, the Commission generally requires that, between rate cases, pipelines be at risk with respect to all volumes transported at prices below those projected in the setting of their rates.[13] "In short, having given a discount to one customer, the pipeline may not seek to recoup the cost of that discount by surcharging other customers."[14]

27. When the Commission permits a pipeline to implement a separate surcharge to track changes in a particular cost item through periodic filings between general section 4 rate cases and to true up under and over-recoveries of the cost in question, the pipeline is effectively permitted an exception from the Commission's general discount policy. That is because truing up underrecoveries of the tracked cost allows the pipeline to recoup the cost of any past discounts of the surcharge from its other customers. In other words, the true-up mechanism automatically shifts the costs of any discounts of the surcharge to the pipeline's non-discounted customers. In *Natural,* the Commission sought to minimize any such automatic costs shifts in the context of the periodic trackers through which pipelines were permitted to recover 100 percent of the stranded costs resulting from the industry restructuring required by Order No. 636. The Commission did this by requiring the pipeline to discount all the way through its base rates before discounting the surcharge. This approach maximizes the pipeline's recovery of the costs underlying the surcharge including from discounted customers, thereby minimizing the need to shift costs to the non-discounted customers. In addition, the Commission found in *Natural*, that as a general proposition:

> it has become clear that discount adjustments are highly complex and, thus, ill suited to periodic tracker filings. Our policy here is designed, in part, to minimize discount adjustments in periodic filings. This will allow discount-related issues to be addressed primarily in the rate case.[15]

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[13] The policy is reflected in section 284.10(c)(5)(iii) of the Commission's regulations providing that "the pipeline may not file a revised or new rate designed to recover costs not recovered under rates previously in effect."

[14] *El Paso Natural Gas Co.*, 60 FERC ¶ 61,005 at 61,032 (1992).

[15] 69 FERC ¶ 61,029 at 61,117.

28. While *Natural* addressed a stranded cost surcharge, the reasons for the approach adopted in *Natural* apply equally to all periodic tracker filings which permit the pipeline to seek 100 percent of the costs in question. Any such tracker permits the pipeline to recoup the costs of discounts of the relevant surcharge from its other customers between section 4 rate cases contrary to the Commission's general discount policy. Also, the concern that discount adjustments are ill suited to periodic tracker filings applies to all such filings. Columbia's EPCA, like the stranded cost tracker at issue in *Natural*, permits the pipeline to true up underrecoveries of its electric costs in periodic tracker filings. Accordingly, the same reasoning and concerns underlying *Natural* apply equally here.

29. Columbia's reliance on *Columbia* and *Algonquin* is also misplaced. As the Commission recognized in the February 12, 2004 Order, in *Natural*, the Commission permitted the pipeline and its shippers to agree where to place the surcharges other than Order No. 636 transition cost surcharges in individual pipeline proceedings.[16] In the *Columbia* case cited by Columbia, the pipeline sought to comply with *Natural* by separating the TCRA rate through which it recovers its Account No. 858 costs into two components, operational and stranded. It then proposed to attribute discounts to the operational component and its base rate on a pro rata basis and attribute discounts to the stranded component only after the pro rata attribution to the operational component and base rates. However, Columbia failed to make any similar proposal with respect to the TCRA surcharge. The only protest to Columbia's proposal was to Columbia's failure to provide that discounts would only be attributed to the stranded cost component of the TCRA surcharge after they were attributed to the base rate. There was no protest to Columbia's proposal to attribute discounts to the operational component of the TCRA rate and surcharge on a pro rata basis with the base rate. Therefore, the Commission treated that aspect of Columbia's proposal as having been agreed to by all parties. No party filed for rehearing of that order, and the proceeding was ultimately terminated by a settlement.[17] Here, by contrast, parties do oppose Columbia's proposal to attribute discounts of the EPCA on a pro rata basis with the base rate.

30. Finally, the *Algonquin* order is distinguishable, since it did not involve a tracker of an individual cost item with a true-up mechanism. The issue in *Algonquin* was how the pipeline should allocate among its customers revenue credits that it received from upstream pipelines when Algonquin released its capacity on those pipelines. The cost of the reservation charges Algonquin paid to the upstream pipelines was embedded in the pipeline's base rates. Accordingly, the Commission found that the credits should be given to Algonquin's customers based on their relative contract demand, but that the

[16] 69 FERC ¶ 61,029 at 61,117, n. 23.

[17] *See* June 25, 1997 Letter Order, 79 FERC ¶ 61,379 (1997).

credits given to discounted rate customers should be adjusted so that they do not receive credits in excess of the demand costs that they actually pay. Accordingly, *Algonquin* did not raise similar concerns about cost shifts and the difficulty of performing discount adjustments in periodic tracking filings as are at issue here.

31. For the reasons stated in the February 12, 2004 Order and as discussed above, the Commission concludes that section 20.2 violated section 154.109 (c) of the regulations and was unjust and unreasonable under section 5 of the NGA, and the required revision to section 20.2, accepted in the March 31, 2004 Delegated Order, is just and reasonable under section 5 of the NGA.

The Commission orders:

The requests for rehearing of the February 12, 2004 Order are granted in part and denied in part, as discussed in the body of this order.

By the Commission.

(S E A L)

Linda Mitry,
Deputy Secretary.